New Sales and Use Tax Rate for Los Angeles County Operative July 1, 2017

The 0.50 percent tax rate increase listed below was approved by California voters in November 2016 (Measure M) and applies to the county of Los Angeles, including all cities and unincorporated areas. To find the correct tax rate for your area or business location, visit www.boe.ca.gov and click the Find a SALES TAX RATE by Address button. (Please note: This new rate will not be available on this website until July 1, 2017.)

At this time, the California State Board of Equalization (BOE) will not be administering Los Angeles County’s Measure H, Sales Tax for Homeless Services and Prevention, which was approved by voters on March 7, 2017. The BOE may implement Measure H at a later date pending legislative approval. The below tax rates do not include the rate increases approved by Measure H.

<table>
<thead>
<tr>
<th>County/City</th>
<th>New Code</th>
<th>Acronym</th>
<th>Prior Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles County</td>
<td>577</td>
<td>LAMA</td>
<td>8.75%</td>
<td>9.25%</td>
</tr>
<tr>
<td>City of Avalon</td>
<td>578</td>
<td>AMHC</td>
<td>9.25%</td>
<td>9.75%</td>
</tr>
<tr>
<td>City of Commerce</td>
<td>585</td>
<td>CMMG</td>
<td>9.25%</td>
<td>9.75%</td>
</tr>
<tr>
<td>City of Compton</td>
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<td>COMG</td>
<td>9.75%</td>
<td>10.25%</td>
</tr>
<tr>
<td>City of Culver City</td>
<td>584</td>
<td>CLEG</td>
<td>9.25%</td>
<td>9.75%</td>
</tr>
<tr>
<td>City of Downey</td>
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<td>DWYG</td>
<td>9.25%</td>
<td>9.75%</td>
</tr>
<tr>
<td>City of El Monte</td>
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<td>EMGF</td>
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<td>9.75%</td>
</tr>
<tr>
<td>City of Inglewood</td>
<td>579</td>
<td>IGWD</td>
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<td>9.75%</td>
</tr>
<tr>
<td>City of La Mirada</td>
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<td>LMGT</td>
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<td>10.25%</td>
</tr>
<tr>
<td>City of Long Beach</td>
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<td>LBTG</td>
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<td>10.25%</td>
</tr>
<tr>
<td>City of Lynwood</td>
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<td>9.75%</td>
<td>10.25%</td>
</tr>
<tr>
<td>City of Pico Rivera</td>
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<td>PCSV</td>
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<td>10.25%</td>
</tr>
<tr>
<td>City of San Fernando</td>
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<td>SNFE</td>
<td>9.25%</td>
<td>9.75%</td>
</tr>
<tr>
<td>City of Santa Monica</td>
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<td>SAMG</td>
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<td>10.25%</td>
</tr>
<tr>
<td>City of South El Monte</td>
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<td>9.75%</td>
</tr>
<tr>
<td>City of South Gate</td>
<td>580</td>
<td>SGTE</td>
<td>9.75%</td>
<td>10.25%</td>
</tr>
</tbody>
</table>


For more information on city and county tax rates, go to www.boe.ca.gov, look under the category Popular Topics, and select the link All Sales and Use Tax Rates. You can also call the Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

New Taxes on Marijuana Beginning January 1, 2018

Proposition 64, The Control, Regulate and Tax Adult Use of Marijuana Act was approved by voters on November 8, 2016, and provides for two new marijuana taxes in California. Beginning January 1, 2018, the two new marijuana taxes are:

1. A cultivation tax, imposed upon on all harvested marijuana that enters the commercial market and paid by marijuana cultivators at the rate of:
   - $9.25 per dry-weight ounce of marijuana flowers
   - $2.75 per dry-weight ounce of marijuana leaves

2. A 15 percent excise tax, imposed upon retail purchasers of all marijuana and marijuana products. Dispensaries or persons making retail sales must collect the 15 percent excise tax, based on gross receipts, from the purchaser at the time of the retail sale.
Additionally, beginning November 9, 2016, certain sales of medical marijuana were exempted from sales and use tax. The sales and use tax exemption applies to the retail sales of medical cannabis, medical cannabis concentrate, edible medical cannabis products, or topical cannabis, as those items are defined. To obtain the exemption, qualified patients or their primary caregivers must present their valid Medical Marijuana Identification Card (MMIC) issued by the California Department of Public Health, and a valid government-issued identification card (ID) at the time of purchase. This exemption does not apply to the cultivation tax or the 15 percent excise tax.

To properly claim the sales and use tax exemption, retailers should not collect sales tax reimbursement on qualifying exempt sales of medical marijuana. In addition, they should claim a deduction on their sales and use tax returns for qualifying exempt medical marijuana sales. Retailers should maintain the following records for each transaction:

- The purchaser’s nine-digit ID number and expiration date, as shown on the qualified patient’s or primary caregiver’s unexpired MMIC, and
- The related sales invoice and/or other original record of sale.

For more information, please see the BOE’s online Tax Guide for Medical Cannabis Businesses at www.boe.ca.gov/industry/medical_cannabis.html. The BOE will update the guide as more information becomes available.

### New Regulation Clarifies Retail Stock for Cigarette and Tobacco Products

Cigarette and Tobacco Products Tax Regulation 4001, Retail Stock, was adopted by the BOE and will become operative July 1, 2017. The regulation defines and provides examples of items considered retail stock, and specifically addresses cases where the business owner holds both a distributor license and a retailer license at the same location. Please refer to Regulation 4001 for the full text and examples of retail stock.

### New Guides Available Online

The BOE has several new tax and fee guides available to assist you with your business. The online industry guides provide information on key tax and fee issues relevant to specific types of businesses. Some of our most recent guides are:

- Beer Brewers and Distributors
- Destination Management Companies
- Home-Based Businesses
- Medical Cannabis Businesses
- Regional Railroad Accident Preparedness and Immediate Response Fee
- Vehicles, Vessels, & Aircraft
- Winemakers and Distributors

For a complete list of all our industry and tax and fee topics, please see our Industry & Tax and Fee Guides webpage at www.boe.ca.gov/industry.

### You May Owe Use Tax

When sales tax does not apply, use tax may be owed on purchases made online, purchases made from an out-of-state retailer and brought into California, and on items that are purchased for and used, stored, or consumed in California. Generally, if you buy taxable items such as books, electronic equipment, or toys for use in California from any out-of-state seller and you are not charged California tax, you are responsible to pay use tax on these purchases. To determine if you may owe use tax, review your receipts to see if you were charged tax on your online and out-of-state purchases. If you were not charged tax, you may owe use tax on them.

**Retailers**

If you are a retailer, use line 2 on your sales and use tax return to report use tax on out-of-state purchases subject to use tax and property withdrawn from resale inventory for your own use.

If you purchased property for the purpose of resale and subsequently withdrew the property from your resale inventory for your own use, you generally owe tax. Use tax is measured by the purchase price of that property and is due upon withdrawal from inventory. You must report use tax on your sales and use tax return for the reporting period in which the property was withdrawn from the resale inventory. Regulation 3669, Demonstration, Display and Use of Property Held for Resale—General, in part states that use tax does not apply to tangible personal property withdrawn from a resale inventory for the purpose of making a charitable contribution to a qualified organization located in this state. This exemption applies only to property which has been purchased for resale and subsequently donated without any use other than retention, demonstration or display while holding it for sale in the regular course of business. Property purchased specifically for donating is subject to tax. It is easy to calculate and pay any use tax owed. The BOE provides two easy ways:

- Download and use the BOE’s mobile application on your smartphone—the application calculates what you owe; or
- Register and pay on the BOE website.
Consumers

While you may be unfamiliar with use tax, it has been state law since 1935. It is important that you pay the use tax you owe as this revenue provides vital funding for state and local services that all Californians rely on.

The BOE estimates that more than $1 billion of use tax goes unpaid each year, equivalent to the salaries of more than 11,000 teachers or 7,000 police officers. Use tax is important to California because it helps support state and local government efforts to fund schools, public safety, health care, environmental protection, road improvements, and other services.

Use tax is owed by April 15th of the following calendar year in which you made a purchase for which California tax was not charged. You can either pay once a year when you file your state income taxes, or make payments directly to the BOE after each purchase.

On your California state income taxes, simply put in the amount owed on the appropriate line for the entire year. You can save all of your receipts and report the exact amount you owe or follow the instructions included with your income tax return to use the Use Tax Lookup Table for nonbusiness items with a purchase price under $1,000.

You may also pay use tax on a one-time purchase item(s) directly to the BOE. Follow login and step-by-step reporting and payment instructions. You may also pay use tax on a one-time purchase item(s) with the BOE’s mobile application.

Consumers or business owners with questions about use tax can visit www.boe.ca.gov/sutax/usetax.htm#page=overview, or call the BOE Customer Service Center at 1-800-400-7115 (TTY:711).

Annual Taxpayers’ Bill of Rights Hearings

Do you have suggestions for improving BOE services or changing a tax or fee policy or procedure? If you do, come share your ideas and concerns with the Board Members at the BOE’s annual Taxpayers’ Bill of Rights Hearings. You may present your proposal in person or in writing for either the business or property tax portion of the hearings. The BOE also invites you to comment on any problems identified in the Taxpayers’ Rights Advocate’s Annual Report, available at www.boe.ca.gov/tra/taxcont.htm.

The annual Taxpayers’ Bill of Rights Hearings for 2017 are scheduled for July 27 in Irvine and August 29 in Sacramento, both starting at approximately 1:30 p.m.

Although you are not required to make advance arrangements to speak, it will help the BOE to prepare if you contact the Taxpayers’ Rights Advocate (TRA) Office at 1-888-324-2798 or www.boe.ca.gov/info/emailtra.htm beforehand to let the TRA Office know your topic. If your proposal is complex or extensive, the TRA encourages you to submit it in advance and then summarize it in your oral presentation. If you intend to bring written materials with you to the hearing, please check with the TRA Office regarding the number of copies needed. You are welcome to submit written comments for the public record without appearing at the hearing.

Please visit the BOE’s Taxpayers’ Bill of Rights Hearings webpage at www.boe.ca.gov/meetings/heartra.htm to learn more about the hearings and the rights provided by the Taxpayers’ Bill of Rights, and to find out how you can receive an email invitation to the 2017 hearings and submit written comments, and read responses to individuals who made presentations at prior hearings.

Fiscal Year Return Filers

The due date for returns for a fiscal year reporting period is July 31. As a holder of a seller’s permit who is reporting on a fiscal year basis, you are required to file a return, even if you:

• Have no gross sales to report;
• Do not owe any tax; and
• Cannot pay the tax you owe.

Failure to file a return for any period may result in imposition of a penalty, an estimated billing, and/or revocation of your permit. If you operate without a seller’s permit you may be subject to fines or imprisonment.

If you attend trade shows or events in California, event coordinators may review the status of your seller’s permit on the BOE’s website to verify that it is valid. If your permit is not valid, you may be denied access to the trade show or event.

If you are no longer in business, you should contact your local BOE office immediately to close out your permit.

For additional information, please visit the BOE website at www.boe.ca.gov, or call the Customer Service Center at 1-800-400-7115 (TTY:711).

Deductions Claimed for Transportation Charges

Transportation charges for shipment of taxable merchandise are generally not taxable if all of the following conditions apply:

• The charges are separately stated;
• The transportation is made by facilities other than that of the retailers, such as the U.S. mail, an independent contract, or common carrier;
• The merchandise is shipped directly to the purchaser.
Only an amount up to the actual cost of shipping is not subject to tax. Some businesses charge more for shipping than their actual cost. The amount in excess of the actual cost of shipping must be included in your taxable sales. In other words, any handling charge or markup applied to the actual cost of the shipping is taxable. Supporting documents demonstrating the actual cost of transportation should be maintained in your records on a transaction-by-transaction basis.

Supporting documents include: (1) bills of lading; (2) freight invoices; (3) express receipts or express company invoices; (4) parcel post receipts or shipment records; (5) sales invoices showing transportation charges and shipping instructions; (6) delivery receipts and expense vouchers supporting your delivery expense; (7) correspondence to verify completion of delivery; and (8) title transfer agreements.

For more information about how tax applies to shipping charges, including when transportation is made by facilities of the retailer, you may download a copy of publication 100, *Shipping and Delivery Charges*, or Regulation 1628, *Transportation Charges*.

**Mobile Food Vendors**

Mobile food vendors include those who operate food trucks, stands, or carts that do not have a fixed physical location. If you are a mobile food vendor you are generally required to register with the BOE, file sales and use tax returns, and maintain books and records that are adequate for sales and use tax purposes.

You can register for a seller’s permit using the BOE’s online registration system, available at [www.boe.ca.gov/elecsrv/esrvcont.htm](http://www.boe.ca.gov/elecsrv/esrvcont.htm).

The location where you make your sales is important because tax applies to each sale at the rate in effect at the location where the sale is made. The BOE website has an up-to-date listing of sales and use tax rates. Go to the Popular Topics column on the BOE homepage at [www.boe.ca.gov](http://www.boe.ca.gov), and select Latest Sales and Use Tax Rates, or to find the tax rate at a specific location, select the Find a SALES TAX RATE by Address button. For more details, refer to Regulation 1603, *Taxable Sales of Food Products*, publication 287, Mobile Food Vendors, the Tax Guide for Caterers link at [www.boe.ca.gov/industry/caterers.html](http://www.boe.ca.gov/industry/caterers.html), or contact the BOE Customer Service Center at 1-800-400-7115 (TTY:711).

**Know Your Rights**

As a taxpayer or fee payer, you have many rights under the law, including the right to:

- Information and assistance to help you comply with the law;
- Fair and courteous treatment and prompt service;
- Confidentiality;
- Appeal a decision or claim a refund as allowed by law; and
- Address your elected Board Members.

Along with those rights, you have responsibilities to:

- Stay informed about tax laws and regulations that affect your business;
- Report and pay taxes and fees when due;
- Promptly respond when the BOE attempts to contact you;
- Inform the BOE of changes to your business ownership or address; and
- Maintain adequate records.

For more information see publication 70, *Understanding Your Rights as a California Taxpayer*. You may also call the Taxpayers’ Rights Advocate Office if you have questions about your rights, or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor). The Advocate Office can be reached toll-free at 1-888-324-2798.